

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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E.O. 11652: N/A

TAGS: EGEN, AR

SUBJ: GOMEZ MORALES' ECONOMIC PLAN LEAKED

REF: BUENOS AIRES 3608

SUMMARY: GOMEZ MORALES' ECONOMIC PLAN WAS LEAKED TO PRESS LAST WEEK AFTER LONG PERIOD SECRECY. AS EXPECTED, THERE WERE NO STARTLING NEW INITIATIVES REVEALED. SEVERAL FEATURES OF PLAN ALREADY HAVE BEEN IMPLEMENTED BY DECREES. MINISTER GOMEZ MORALES HAS DISCUSSED MANY OTHER ASPECTS IN PUBLIC STATEMENTS. FUTURE STATUS OF PLAN NOW IN AIR WITH DEPARTURE GOMEZ MORALES AND HIS REPLACEMENT BY CELESTINO RODRIGO. END SUMMARY.

1. AFTER LONG PERIOD SECRECY, OUTLINE OF GOMEZ MORALES' ECONOMIC PLAN LEAKED LAST WEEK TO "MERCADO" MAGAZINE AND TO NEWSPAPER "LA PRENSA". FOLLOWING EXTENSIVE BUILDUP, CONTENTS OF PLAN, AT LEAST IN FORM LEAKED TO PRESS, ARE SOMETHING OF LET DOWN. THERE IS NO FUNDAMENTAL SHIFT OF ECONOMIC STRATEGY PROPOSED. MESSAGE OF PLAN TO REDUCE EXPENDITURES AND RAISE OUTPUT IS CONSTRUCTIVE, BUT SPECIFIC IMPLEMENTING MEASURES ARE SCARCE. PLAN CLEARLY SEEKS DEFEND POLICIES OF PRESENT ECONOMIC TEAM PUTTING BLAME FOR ECONOMIC PROBLEMS ON OTHERS (GELBARD, LIMITED OFFICIAL USE

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LOPEZ REGA, ETC.). THERE IS ALSO STRONG UNDERLYING THEME

OF STRENGTHENING GOA CAPACITY TO CONTROL ECONOMIC DELINQUENTS, (COMPANIES, IMPORTERS, ETC.). FOLLOWING BRIEF SUMMARY OF MAJOR POINTS MAY BE OF INTEREST.

2. FIRST SEVEN CHAPTERS OF PLAN DEAL WITH NATIONAL INCOME, INVESTMENT, FOREIGN INVESTMENT, BUDGET, MONETARY, BALANCE OF PAYMENTS, AND WAGE-PRICE STRATEGY, RESPECTIVELY. ACCORDING TO PLAN, GDP COULD GROW 6.8 PERCENT IN 1975 (COMPARED WITH 7.2 PERCENT IN 1974) PROVIDED GRAVE EXTERNAL PROBLEMS CAN BE AVOIDED. FUTURE GROWTH MUST BE BASED ON EXPANDED INVESTMENT IN PRODUCTIVE PLANT AND EQUIPMENT WHICH OFF BADLY. FOREIGN INVESTMENT REGIME TOO RIGID AND SEVERAL MODIFICATIONS REQUIRED. UNFORTUNATELY, BUDGET DEFICIT NOT UNDER CONTROL BECAUSE AUSTERITY DECREE STILL UNSIGNED AFTER THREE MONTHS DISCUSSION. AS RESULT, MONETARY EXPANSION EXCESSIVE. DETERIORATION OF TRADE BALANCE DURING FIRST TWO MONTHS WOULD CAUSE GRAVE BALANCE OF PAYMENTS PROBLEMS IF ALLOWED CONTINUE. PROMPT ACTION REQUIRED TO HALT RECENT PRICE INCREASES WHICH EXCESSIVE.

3. CHAPTER 8 OF PLAN CONTAINS SPECIFIC RECOMMENDATIONS. MOST IMPORTANT OF THESE ARE AS FOLLOWS:
PRODUCTION-- A) IN AGRICULTURE, CONTINUE FIX PRICES BEFORE PLANTING WITH ADJUSTMENTS AT HARVEST; B) ACCELERATE RE-ORGANIZATION OF PACKING PLANTS-- ESPECIALLY THOSE BELONGING TO STATE; C) ACCELERATE ENERGY PLANS TO ACHIEVE SELF-SUFFICIENCY AS QUICKLY AS POSSIBLE.
INVESTMENT-- A) REVIEW INVESTMENT PLANS TO ACHIEVE BETTER BALANCE BETWEEN ECONOMIC AND SOCIAL OBJECTIVES (I.E., MORE ECONOMIC); B) REVIEW PUBLIC SECTOR INVESTMENT WITH VIEW POSTPONING INITIATION ALL PROJECTS WHICH NOT VITAL; C) ADJUST INDUSTRIAL AND MINING PROMOTION LAWS TO ACHIEVE BETTER BALANCE BETWEEN PRIVATE AND PUBLIC PARTICIPATION (I.E., MORE PRIVATE).
FOREIGN INVESTMENT-- A) MODIFY REGULATORY DECREE OF FOREIGN INVESTMENT LAW 20-557; B) STUDY MODIFICATIONS OF LAW 20-557 TO SUGGEST TO CONGRESS; C) IMPLEMENT REGULATORY DECREE COVERING CHAPTER OF LAW 20-557 DEALING WITH EXTERNAL CREDITS.
BUDGET-- A) IMPLEMENT AUSTERITY DECREE; B) IMPROVE ECONOMIC AND FINANCIAL CONDITION OF STATE ACTIVITIES; C) ENCOURAGE LIMITED OFFICIAL USE

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TRANSFER OF PERSONNEL FROM PUBLIC TO PRIVATE SECTOR; FOR EXAMPLE, BY NOT FILLING VACANCIES; D) REVIEW TAX REGIME TO SEEK ADDITIONAL REVENUE; AND E) RE-ORGANIZE AND STRENGTHEN TAX AND CUSTOMS OFFICE.
MONETARY-- A) SUBSTANTIALLY REDUCE BANK FINANCING OF FISCAL DEFICIT; B) UTILIZE SELECTIVE BANK CREDIT TO STIMULATE PRODUCTION; C) WATCH OVER INTEREST RATES; GRADUALLY INTRODUCE MONETARY CORRECTION CLAUSES IN CREDITS.

BALANCE-OF-PAYMENTS-- A) STIMULATE EXPORTS; B) REPRESS
CONTRABAND; C) PREPARE FOREIGN EXCHANGE BUDGET FOR IMPORTS;
D) EXAMINE STOCKS OF IMPORTED GOODS; EXPROPRIATE THEM IN
CASE OF SPECULATION; E) SAVE ENERGY; F) MODIFY FINANCIAL
REGIME FOR IMPORTED CAPITAL GOODS (ALREADY IMPLEMENTED
BA 2713); G) INSTRUCT STATE ENTITIES NOT TO INCUR NEW
DEBT UNLESS ABSOLUTELY NECESSARY; H) LIMIT EVEN FURTHER
FOREIGN EXCHANGE FOR TRAVEL ABROAD; I) DRASTICALLY REPRESS
PARALLEL MARKET (ONE MEASURE ALREADY IMPLEMENTED BA 2613,
OTHERS MAY BE FORTHCOMING); J) REVIEW FINANCIAL AND TECHNOL-
OGY TRANSFERS SEEKING ELIMINATE EXCESS.
PRICES AND SALARIES-- A) STRENGTHEN EXISTING INSTRUMENTS
FOR CONTROLLING SPECULATION; B) STRENGTHEN RESPONSIBLE AREAS
OF GOVERNMENT TO HELP CONTROL COMPANIES; SUPPLIES, ETC.;
C) PROMOTE PRODUCTIVITY BY ALL POSSIBLE MEANS; D) ELIMINATE
SPORTS AND OTHER LATE NIGHT POPULAR EVENTS BEFORE WORKDAYS;
E) ENFORCE COMPLIANCE WITH PRICE CONTROLS AND SANCTION COM-
PANIES WHICH DISOBEY THEM. MONTLLOR

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